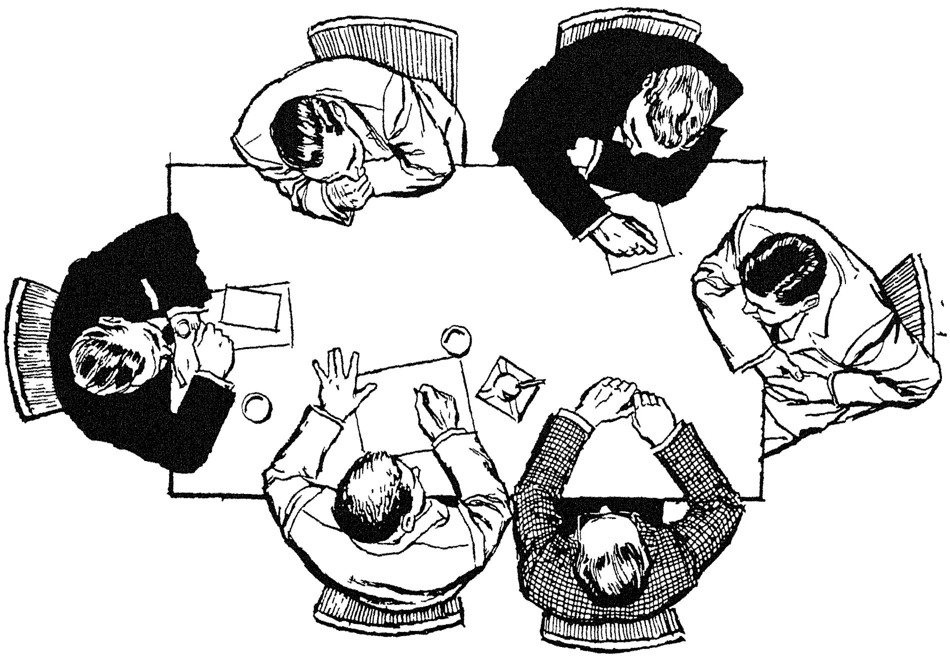
Bulletin 531

AGRIBUSINESS

MANAGEMENT

DEVELOPMENT

PLANNING



OSU Cooperative Extension Service
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AGRIBUSINESS MANAGEMENT DEVELOPMENT PLANNING

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Foreword

Agribusiness firms are continually increasing in complexity. Federal, state and local regulations place increasing demands on managers. Economic integration, the combination of economic functions, and increased cost of resources have also placed demands on agribusiness managers. The successful agribusiness manager must understand and use good management principles as he develops proper objectives for the business he manages.

Management development is a lifelong proposition. Technical knowledge of a business is no longer sufficient preparation for the position of managing it. Managers of agribusiness firms operating in today's dynamic competitive economy must be trained in processes of business management that are distinct and apart from his unique knowledge of the industry, his firm and its immediate environment, if he is to meet the challenges of today. The competitiveness of today's economy does not allow sufficient time for acquiring management skills on the job simply by trial and error. The magnitude of the risks that can result from mismanagement is so great that management by intuition is no longer acceptable.

Management training is a continuous proposition. A continuous organized management training and development program is beneficial for all managers determined to maintain their management expertise.

There are three vast areas of knowledge a manager must master: (1) The nature of the business he is managing; (2) The principles and techniques required to manage, and (3) The regulations that apply to the specific business.

The objectives of this publication and others in this series are to explain management principles and functions and how these principles can be applied to achieve success in the management of agribusinesses.

Chapter 1

MANAGEMENT CONCEPTS

There are several different concepts of management employed in Ohio agribusiness. Not all managers, instructors of management, or management consultants accept the same concept of management. The management process concept was selected because it offers a broad conceptual framework of management. The "Process" concept of management is inclusive and applies to every type of enterprise and to every level within a given enterprise.

The manager must recognize that his or her firm may accept and follow a concept of management other than the Management Process concept used in this publication.

The Management Process Concept

This concept views management as the performance of certain activities that are basic functions of management. By basic, we mean that the functions of planning, organizing, controlling, staffing, directing, commanding, supervising, motivating, training, coordinating, delegating, evaluating, and correcting are invariably organic to and a distinct part of the managerial activity. For convenience we have classified these functions into five categories: Planning, Organizing, Directing, Coordinating and Controlling. (Discussed in Chapter 3.)

The performance of these basic functions distinguishes the management members of a firm from the nonmanagement members.

The Process concept of management emphasizes getting things accomplished by people working in organized groups.

This concept considers the management process as universal, regardless of the type of enterprise or the level of the management position within the enterprise.

This approach to management is broad and inclusive and draws on knowledge from many different fields of science and art; however, there is no attempt by those who accept the Management Process concept to encompass the entire field of management knowledge.

Other Popular Schools of Management Thought

Management Experience

This concept places emphasis on experiences of successful and unsuccessful managers. Many will agree that experience is a good teacher, and reports on how difficult problems have been successfully handled may be extremely helpful. There are many who point out, however, that future situations may be significantly different from those of the past, as many changes are taking place in our economy. This concept of management was, at one time, popular among managers of agribusiness.

Human Behavior

The followers of the process concept believe that the focal point of managerial action is the behavior of the human being and human beings. "Management does not do; it gets others to do," is the theme of this school. Some advocates of this concept consider management as leadership and treat all group activities as situations that are managerial to some degree.

Social System

This approach to business management sees it as a social system or as a system of cultural interrelationships. This concept is sociologically oriented and deals with identifying the various social groups as well as their cultural relationships and the integration of these groups into a complete social system. Many of the supporters of this concept employ the idea of a cooperative system, which they commonly term "formal organization" and consider it to be one in which people communicate effectively with each other and are willing to contribute toward achievement of a common objective.

The Mathematical Concept

This concept of management is accepted by those who see management as a logical process which can be expressed in terms of mathematical symbols and relationships. A model, in the form of a mathematical equation, is created, and the measurement of variables is substituted in the equation. Precise answers for the unknown under different conditions are thereby calculated mathematically.

In recent years, this concept has also assumed the title of the *quantitative school of management thought.*

Measurable data, statistics, and econometrics, as well as mathematics, are basic to this concept of management.

The mathematical or quantitative concept has proven its approach to be of great usefulness in the area of management. It requires its users to define precisely their objectives, problems, and problem areas.

This is a powerful tool for solving complex problems and has influenced the rearrangement of information sources and systems to provide more usable measurements.

Decision

This concept of management focuses attention on the managerial decision. Usually this approach is limited to the economic rationales of the decision. Mathematical models and equations centered around decision making are used and are similar to the methods followed by the mathematical school of thought. In its early days, the decision concept confined its efforts to the evaluation of alternatives.

Economic Analysis and Accounting

The economic analysis concept and the accounting concept are concerned with the optimization and the future. These concepts of management are keenly interested in cost and deal with management problems in relation to various types of costs. The supporters of these concepts have employed more and more of the mathematical approach to decision making.

These approaches to management consider all management decisions as cost decisions.

These approaches are usually based on facts; assumptions are few, and the results can be quickly evaluated.

Questions:

What concept of management is presently employed by your firm?

Which management concept do you believe could best serve your firm?

Why?

Chapter 2

MANAGEMENT

Recognizing that the management process concept will be the basis for our future discussion of agribusiness management, we can say that management is an activity consisting of a distinct process.

THERE ARE MANY DEFINITIONS OF MANAGEMENT. A FEW ARE:

—The attempt to achieve a goal through the guided efforts of others.

—The establishment and the achievement of objectives.

—Management is the work of executive leadership.

—Management is the determining of objectives and achieving these objectives with a group of people.

—Management is a process consisting of definite functions. Those who perform this process are managers, members of management, or executive leaders.

—Management is grouping work and people, defining working relationships, and balancing the work structure so as to achieve desired results.

From the preceding and many other accepted definitions of management, it is apparent that all have some common premises:

1. They deal with management as it applies to a group, and not to an individual.
2. There is an objective, either specifically stated or implied. Management deals with a specific achievement.
3. A manager must relinquish his desire to "do" things himself and get things accomplished through group efforts.

If management is the attainment of objectives through the efforts of other people, then it is important that the manager decide first of all what he wants the people to do. Then he must allocate the work to those most capable and make sure that all tasks are complete as planned.

Questions:

What is the primary objective of your firm?

Does your firm have secondary objectives?

If so, what are they?

Chapter 3

MANAGEMENT FUNCTIONS

In this Agribusiness Management Development program the basic management functions are classified into five areas:

Planning
Organizing
Directing
Coordinating
Controlling

The participant should recognize, however, that there is not complete agreement among management authorities as to how the basic functions of management should be classified. Nevertheless, there is general agreement of the basic functions. Most authorities agree that all managers must plan, organize, control, staff, direct, command, supervise, motivate, train, coordinate, delegate, evaluate, and correct. For this Agribusiness Management Development Program, all management functions have been grouped into the five basic functions of planning, organizing, directing, coordinating and controlling (PODCC).

These five fundamental functions of management—planning, organizing, directing, coordinating and controlling—constitute the process of management.

A brief summmary statement of each function follows:

Planning is the selection of objectives and the determination of action to be followed to reach these objectives.

Organizing is the grouping of activities and the structural arrangement of persons, facilities, and equipment and the allocation of authority and responsibility.

Directing is getting the members of the group to carry out their tasks enthusiastically.

Coordination is obtaining and maintaining a balance among the essential activities and individuals involved to harmoniously and effectively reach the objective.

Controlling is seeing that activities conform to the plan.

All managers, at all levels, perform all five of these basic management functions (PODCC).

In practice, the agribusiness manager will find that these basic functions of management are interrelated. He will also find that the performance of one function may not cease entirely before the next one is started.

The five basic functions of management are not carried out in a particular sequence but are performed as the situation requires. For example, during a period of rapid growth, the *organization* function becomes a major concern to the firm. Managers of rapidly growing firms may find it necessary to spend a major portion of time realigning responsibilities and establishing new positions as their firm outgrows the more informal organizational structures that have served the firm satisfactorily in the past.

The order in which the basic management functions will usually be performed will be determined by the situations.

Each function affects the others, and the five functions are interrelated to form the management process.

The basic functions of planning, organizing, directing, coordinating, and controlling are the activities involved when the true role of management is being performed. We must be careful, however, not to assume that all activities performed by management necessarily fall into this category, since in practice some activities may be of a nonmanagement nature.

For example, a manager may occasionally assist other employees in loading or unloading a truck, make bookkeeping entries in the firm's ledgers or complete a sale. These are not true management functions even though they are performed by the manager.

Management functions should not be confused with *business functions* such as financing, production, and sales, or the *marketing functions* such as buying, selling, standardizing, packaging, storing, market information, risk taking, transportation, or processing.

Questions:

Is a manager whose area of activity is restricted to one business function, such as production, concerned with the five basic management functions?

Is a manager who does not delegate nonmanagerial tasks, but carries them out himself, really managing?

Chapter 4

THE PLANNING FUNCTIONS OF MANAGEMENT

Let us examine the function of planning in the managerial process.

As stated briefly in Chapter 3, planning is the selecting of objectives and the determination of action to be followed to reach these objectives.

Definition of Planning:

"Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results."

—George Terry, *Principles of Management*

What Is Planning?

Planning is the thoughtful determination and systematic arrangement of all the factors required to achieve the goals and objectives of the business.

Planning is getting ready to do the work, not the actual performance of the work.

Planning is the thinking, judging, and deciding function of management. Planning is considered by many persons as being basic in the management process because it precedes any course of action. Whenever there are alternatives, there is an opportunity to use the planning function.

Planning is the thinking process that precedes action or the doing process in order to achieve the most effective results.

Successful agribusiness managers *create* change—unsuccessful agribusiness managers *react* to change. The difference lies in planning. The successful agribusiness manager establishes objectives and goals, and determines the best way to achieve them.

The planning function of management is the thinking process for selecting that alternative that will best achieve the firm's objective.

Planning is the job of making things happen that otherwise would not occur.

The planning function starts with *viewpoint* and *objectives* of the firm and predetermines:

—What will be done

—Why it must be done

—Where it will take place

—When it will take place

—Who will do it

—How it will be done

Planning is always done with a goal in mind. If desired results are specified, but no goal is set, we have an idea—not a plan.

Plan and Planning:

The words "plan" and "planning" are similar, but their meanings are quite different.

Planning is a process—an activity.

Plan is a commitment to a particular course of action believed necessary to achieve specific results.

In general terms, planning is deciding in advance what is to be done, why it must be done, where it will take place, when it will take place, who will do it, and how it will be done; that is, planning is developing the projected course of action.

Planning and the Management Process

Planning in an agribusiness enterprise normally involves at least the following steps:

Recognition of the need for action. This may arise from an idea, through an assignment on the board, from controls such as an accounting report that shows costs are out of line or that production is lagging behind schedule, from a new idea picked up at a professional meeting, or from a seasonal downturn or upturn in sales. For any of a variety of reasons, the manager recognizes that matters cannot be permitted simply to drift with a "do nothing" attitude. Some kind of action must be taken.

Investigation and analysis. Here the facts of the present situation are studied so that possible opportunities and alternatives may be identified and information be gathered as to the benefits and difficulties in applying them.

Proposal for Action. On the basis of the investigation, the executive develops one or more proposed courses of action; he is the innovator or initiator of the plan.

Decision. A plan does not really exist until a clear decision is made as to a course of action. Thus, an executive may decide or select the action he proposes to take, but before the action can be taken, he may need to secure the approval of his superior or board of directors. When this is necessary, there are really two steps: (1) tentative decisions and (2) final approval.

Planning Is Unique

The function of planning is not a task like purchasing or warehousing that can be delegated to a separate department, thereby relieving other divisions of any concern with it. To be sure, a manager may have people helping him with certain phases of planning, such as collecting, investigating, and analyzing data, but the decision aspects of planning are inevitably and intimately tied in with other activities of persons who are in the "chain of command."

Management is a distinct process consisting of the basic functions of planning, organizing, directing, coordinating, and controlling, performed to determine and accomplish the *objectives.* Planning comes into play at the inception of the objectives and continues through the carrying out of the actual activities necessary to reach the objective.

Importance of Planning

Planning is the management function of predetermining what will be done, why, where, when, how, and by whom in order to attain desired goals and objectives. Top management levels are responsible for broad, general, and creative planning. Lower levels of management develop from the administrative plans the necessary routine, specific, and detailed plans of operation. For the present, all that needs to be said of alternative ways of planning is that unless management establishes considered plans, the results will be like a team of horses hitched to pull in several directions at the same time.

Purpose of Planning

Planning has a number of uses and purposes:

1. Planning establishes common goals so that everybody can know the objective the company hopes to achieve.
2. Planning establishes what each person must do in order that each job and task will be coordinated with others and will not duplicate others, nor leave any duties overlooked.
3. Planning establishes what factors are necessary so that assigned functions can be effectively performed.
4. Planning establishes a basis of control so that as work progresses, bench marks are available against which results may be evaluated or measured.

Advantages of Planning

The advantages of planning can be measured in the smoothness of operations, growth within the system, and overall stability in the organization. In this light, planning provides the scope for operation and control. Planning may be based both on facts and the desirability of achievements.

The use of planning will ensure purposeful and orderly activities, aim all efforts toward desired results, and provide a measure of performance and a basis of control.

Flexibility of Planning

Management operates in the midst of fluctuating trends and changing conditions. Plans are altered. Performance varies. Predictions are often in error. The unexpected often occurs. In spite of all these things, the members of an enterprise must continue to work together to reach its objectives. In order that the efforts of all people in the organization be directed toward the same end, management must continue to plan in the face of difficulties and changes. For this reason, planning cannot be rigid and unbending. Planning must be flexible to permit the enterprise to stand united in the face of change.

Limitations of Planning

There are, of course, some very practical limitations on use of planning, and one of the important duties of a manager is to decide, in light of these limitations, just how far his particular enterprise or department can carry the planning concept. Some of the things that make planning on an extensive basis impractical are: reliability of forecasts, recurrence of similar problems, reluctanct to change, revising plans, and speed versus accuracy. (Sometimes speed is very important, and planning may be time consuming.)

Studied attempts to improve forecasts may be made. Here the manager might use consultants or just try to steer around the areas of great uncertainty. Hedging is used by many; this is the arranging of operations so that losses in one area or market will be offset by gains in another. One might also separate the different parts of the operation that wouldn't be affected by the questionable factor.

The method of seeking to maintain standard operations is not simple but, if possible, it can greatly aid the handling of similar problems. Here, standing plans might be used deliberately to regulate the operating situation. Similar actions are then designed to create stability and uniformity in operation.

There are many things a manager can do to counteract the tendency toward inflexibility. Regular review of existing plans, and providing for exceptions along with creating a psychological attitude that favors adaption rather than inflexibility are some of the many and varied ways to control inflexibility.

Manager's Role in Planning

The basic functions of management are planning, organizing, directing, coordinating, and controlling the work of others. Every manager must develop a philosophy about his job. He must give attention to viewpoints, objectives, functions, policies, leadership, human factors, environment, procedures, organizational structure, and morale. The manager must also exert positive leadership.

The amount of planning the manager does will depend on the scope of the organization. That is, the responsibilities for planning will be broader if the manager is owner and operator than if he is in the position of guiding just one department or one activity.

If the manager is in a corporation, the articles of incorporation, the bylaws, and the objectives and policies limit his operation in responsibility. The manager is responsible for and has the authority for accomplishing the duties as set forth by the board of directors. It should be the manager's responsibility to advise and assist the board in the determination of whatever objectives, policies, and other basic controls are required by the firm.

To further explain the manager's role in the planning process, we note that the day-to-day schedules are his responsibilities, and acting under the objectives and policies he must effectively work out the operation. In this light, he also recommends operating and financial objectives, and develops, in conjunction with department heads, short and long term plans and programs with supporting budget requests and financial estimates for each department. In actual practice, management problems rarely fall neatly into a single niche, and the interdependence of planning, organizing, coordinating, directing, and controlling will be shown.

In short, the manager must make his plans manageable. He must plan his daily routine so that he is able to look over daily material as well as able to handle the unexpected things.

Ten Principles of Planning

The following principles of planning serve as guide posts during the planning phase:

1. Define the objectives.
2. Determine the priorities of the specific objectives.
3. Determine obstacles that are in the way of objectives.
4. Think up the means and methods of getting rid of the obstacles.
5. Determine what will be required in the way of personnel.
6. Determine what will be required in the way of facilities, including money.
7. Assign responsibilities.
8. Lay out a time schedule.
9. Set up measures for determining progress and results.
10. Determine what administrative action is required to get the program approved and into operation.

By using this logical system of gathering and interpreting facts, the finished plan rests upon a pretested foundation. This type of planning is the goal toward which all managers should strive.

Obstacles of Planning

Two obstacles to the use of the above method of planning are:

1. Inability or difficulty in obtaining the necessary facts.
2. Length of time needed to gather and analyze data.

As a manager continues to use the above principles of planning, the data problems which loom large at first tend to diminish. Data problems diminish because the planner sets up records or an information system that provides the data needed. Planning experience provides the manager with some basis for judging the reliability of the data which can be obtained. The problem of time needed for analysis of data resolves itself into a planning problem. Planning experience will provide the answer to how much time is needed for proper analysis.

Viewpoints, Objectives, Goals, Services, Policies

Viewpoints are the system of ethics and ideals under which the business operates—the set of precepts which the business believes in—democracy, religious freedom, freedom of choice, and so forth. The business should express these viewpoints openly and should live by them so that competitors and customers can see their consistent practice.

Objectives are the intended goals which prescribe definite scope and suggest direction to the efforts of a manager. Objectives should be stated in a definite way and should be made known to all persons concerned. Public knowledge means that everyone knows what the organization stands for and what it is trying to do.

Goals consist of the short-run means of reaching the objectives of the business. Goals are standards to be attained, and these goals can be more easily attained if they are realistically established in advance.

Services—Businesses are set up to provide services for their customers. The planners must determine the kind and extent of services to be rendered and where they will be secured. It is also necessary to know something about the limitations of the services and the financial aspects concerning them.

Policies are generalized guides to decisions, and they must be planned. Policies are most valuable where the manager and the employees need to act in recurring situations without consultation with superiors. To implement the use of policies, authority, and responsibility must be properly delegated.

To Illustrate

A statement that "Farmers have the right to organize their economic power cooperatively so as to provide themselves with farm supplies at reasonable cost" express a *viewpoint*.

The statement, "Our business is to permit farmers to improve their economic position by enabling them to join the Besta Grain and Supply Cooperative and through it purchase feeds and supplies at the lowest possible prices," sets forth an *objective*.

This statement expresses a *goal:* "The Besta Grain and Supply Cooperative aims to increase total dollar sales 25% during the coming year."

The viewpoint of a business is its very reason for being, and careful thought must be given to it. The firm's objectives will deal with what it aims to accomplish and its goals with the measurable achievements which mark the route toward the attainment of its objectives.

The viewpoint tends to remain fixed while objectives and goals are changed as often as necessary to meet changing conditions.

A meeting should be held at which the board and the hired management of the agribusiness discuss their beliefs about the human, social, civic, and cultural services, and about values that the business should contribute to the community. Written statements covering the firm's viewpoints, objectives, and goals should be prepared.

The firm's viewpoints, objectives, and goals should be widely circulated and explained. A viewpoint which is a mystery to employees, members, or the public will not prove very influential. Objectives and goals which are not understood and accepted are not likely to be achieved.

SUMMARY – PLANNING

Planning enables a manager to cope with change that will come in the future.

Planning forces the manager to determine patterns of proposed action against assumptions regarding the future.

Planning forms the basis from which all future management actions arise.

Planning enables the manager to avoid the tendency to let things run their course—to see things as they are, not as they might be.

Planning gives hope and stimuli for better goals to be accomplished.

Planning discovers opportunities and shows the way to their realization.

Planning provides the link between a desire and its realization.

Planning reveals what components are needed, how to put them together, and the ideal order of handling them.

Planning opens up new avenues and new ways of doing things, and reveals specific opportunities previously unknown to the planner.

Planning helps achieve desired results.

Planning reduces random activity.

Planning reduces needless overlapping efforts.

Planning helps to minimize costs.

Planning is continuous—it is a never-ending activity of a manager.

Planning has a number of uses and purposes:

1. Establishes goals so that everybody in the firm knows what the firm is striving to achieve.
2. Establishes coordinated job descriptions so that each job will be coordinated with others. It also eliminates duplication of efforts.
3. Establishes the necessary facilities so that the assigned job can be performed efficiently and economically.
4. Establishes the standards of control so that as work progresses the results can be compared with the standards as a check of performance.

Chapter 5

MANAGEMENT BY OBJECTIVES

What are you trying to do? Did you ever ask yourself that question? If your agribusiness has a well-defined objective or objectives, you probably asked yourself that question as one of the steps you used in setting those objectives. You have used the same question when setting objectives for yourself, too. Personal objectives are rarely stated in written form, but objectives for a business should be.

Objectives Defined

Webster defines objectives as *an aim or goal.*

A managerial objective is the intended goal which prescribes definite scope and suggests direction to the efforts of a manager. In this definition, four concepts stand out. They are:

1. Goal
2. Scope
3. Definiteness
4. Direction

We see from these definitions that objectives are the target for which we are aiming.

Many times, the words *goal* and *objective* are used interchangeably. We shall define *a goal as a short-run aim* and *an objective as a long-run aim*. The General Electric Company views goals as aims which can be reached within 12 months, while objectives are continuous. In this same line of thought, we can liken them to the different distances as we set the targets to which we previously referred. Goals are much nearer than objectives.

There are several ways objectives may be classified. We will use the following classification:

1. Those of the firm
2. Those of the manager
3. Those associated with individuals

Need for Objectives

We need objectives in all organizations today. We need them for every function of management from planning to controlling. Our firm's objective is the statement that answers the question, "What are we trying to do?" Without objectives for our firm, we have nothing to "shoot" for and no way to tell if we "hit the mark."

When we speak of objectives, our thoughts usually turn to planning. An objective could actually be thought of as a plan, since it has to do with future activities. requires foresight, and is an integral part of planning. Objectives are a result of planning.

Of course, we need more than a firm's objective. An objective in terms of total sales dollars or volume of the market has little meaning to the fellow mixing feed. He needs to know what he has to do in his department to help the organization meet its objective. Consequently, there should be objectives for each level of the organization.

Who Determines Objectives at Different Levels?

For an objective or goal to be important to a person, he should have a part in determining it. People will accept objectives quicker if they have helped formulate them. Thus, the head of each different level needs to be included in determining the goals or objectives for his segment of the operation and needs to know how meeting his goal contributes to the success of the organization as a whole.

Write Objectives and Goals

Objectives and goals need to be written for several reasons. Written objectives and goals contribute to better understanding by giving those concerned a chance to study them.

Written objectives and goals create continuity.

If objectives and goals are written, the manager need not be present to relate them each time there is a question.

Written goals also provide a means of keeping records for comparison with a past year's goals. This can be an aid in checking the firm's progress.

Having written goals insures that they will be the same from one meeting until the next. There is no chance of anyone forgetting part of one or mistakenly substituting a wrong word somewhere in the context.

It is "good business practice" to have a written record of your firm's goals and objectives.

Clear, Concise Goals

Too many times, goals are stated in such vague terms that no one can be sure if they have been met or not. Statements such as "to satify the needs of our customers" or "to sell our feed and fertilizer at a fair price" are vague and subjective at best.

Goals need to be put in concise, meaningful terms which can be evaluated. This practice must be carried through at all levels in the firm.

For example, a goal such as "to capture 50 per cent of the market in 1982 is much more precise than "to sell as much as we can." Likewise, at lower levels, "to produce 50 widgets per day" is much more exact than "to turn in a good day's work."

Thus, we can see that in order for goals or objectives to be useful, they must be exacting enough to allow for comparison or measurement.

Communicate Goals and Objectives

It is useless to spend time and energy writing clear and concise goals, if they are not going to be communicated. You may have an excellent goal for fertilizer sales for your elevator, but unless the head of the fertilizer department knows and understands it, you stand little chance of reaching that goal.

Good communication is essential for reaching goals. The best way to achieve communication is to have those affected assist in determining the goals.

Harmonizing Objectives

As stated before, there are three classes of objectives:

1. Those of the firm
2. Those of the hired manager
3. Those associated with individuals

Although these three classes cannot have the *same* objectives, they must be organized to complement each other. This process is known as "harmonizing objectives." If a condition of harmony can be attained, teamwork will result, and everyone will benefit.

Actually, a business can be likened to a football team. The fans can be likened to owners, the coach to the manager, and the players to the workers, with the captain as foreman. If each of these three groups has consideration for the others' goals and tries to help one another, the groups have a good chance of success. On the other hand, if their goals are not in agreement, they will never reach their potential. For example, a coach, who exploits his players only to gain a raise, will probably fail just as quickly as the manager who exploits his employees for personal gain. If the manager works *with* and not against his employees, they both stand to profit.

Everyone has individual goals, and we know that these will be modified voluntarily for group goals, if the group goals are sufficiently rewarding. The greatest task is to develop overall goals and objectives which will encompass all the individual goals concerned. At this point, teamwork is accomplished.

Objectives and Goals Must Be Used

Well-developed goals and objectives are no help if they are not used. They must be used for controlling and measuring your firm's operation. In order to be effective in these capacities, they must be reviewed often. Goals and objectives can be used as a scoreboard to show how well the firm's doing.

Too many times, objectives are formulated, written, filed in a notebook, and forgotten. They do you no good inside the notebook. Only if you use them will they help you manage your organization.

Obstacles to Objectives

The only problem with management by objectives is that it takes time and energy. Too many managers are not willing to be bothered. They prefer to continue without goals or objectives and hope their business will operate efficiently. Managers without goals and objectives are like a ship at sea without a compass—they do not know where they are going and may not know where they are when they get there.

SUMMARY

The foundation for any successful agribusiness should be current and well-developed company objectives and goals. These should be to the board and hired management what the compass is to the navigator—a basis for charting a course, and a means of determining whether or not the firm is on course.

Objectives are statements of purpose which define what the owners believe to be the firm's mission.

An agribusiness firm should have objectives that represent a satisfactory integration of the aims and the needs of all major groups involved: employees, stockholders or members, consumers, and suppliers.

Objectives are required in every area where performance and results directly and vitally affect the survival and prosperity of the business. This means each administrative unit within a firm, as well as the enterprise as a whole, should have objectives.

Objectives should help to:

1. Record the direction the company should take.
2. Predict behavior of each unit.
3. Appraise soundness of decisions when they are being made.
4. Improve overall business performance.
5. Provide a basis for internal control.

Aims

Aims of a corporation are often described in the articles of incorporation. These aims often may need to be interpreted as objectives. As other overall objectives become necessary, the board and hired management are responsible for their development. In most cases, department objectives are developed by department personnel, with approval of the general manager.

Goals

Every agribusiness needs attainable goals toward which the resources of the firm are directed. Goals are benchmarks of progress desired. They represent steps in reaching company objectives.

Goals are time-oriented and are one method of exercising control. Objectives, however, are not time-oriented.

Goals are derived after objectives have been formulated and are based on courses of action to be taken in a specific period of time.

Goals:
1. Require integration of plans.
2. Provide direction for planning.
3. Help avoid conflicting and unproductive programs.
4. Provide a basis for control and evaluation of progress.

Board of Directors' Responsibility

The board of directors establishes objectives of the company with assistance from hired management; the reverse is often the situation with goals.

Manager's Responsibility

Goals are best established by hired management and approved by the board. Managers in turn should translate general objectives and goals to department heads, who can then develop operating goals for their departments.

Examples of Company Objectives

1. **A food processor—**
   - —To concentrate on premium quality products with large markets.
   - —To control production scientifically.
   - —To conduct continuous research.
   - —To liquidate production annually.
   - —To maintain an organization of top caliber men.
   - —To pursue a continuous program of budgetary control.
2. **A steel manufacturer—**
   - —To earn sufficient profits to:
     - —pay a good rate of cash dividends to shareholders.
     - —maintain its properties in good competitive operating condition.
     - —build up and maintain sufficient working capital.
     - —reduce outstanding debt as rapidly as practical.
   - —To develop a strong financial position through sound management of the capital structure.
   - —To operate maximum sales volume with products matched to existing facilities at fair, competitive prices.
   - —To operate, maintain, and develop plans and facilities with maximum attention to quality, new product development, customer requirements, efficiency, and decreased costs.
   - —To assure present and future raw material supply, adequate in quantity and quality, and competitive in cost.
   - —To improve labor relations and productivity by fair dealing with all employees and their lawful union representatives.
   - —To improve and strengthen the corporation's management through acquisition and development of good personnel and through continuous effort toward simplification of organization structure and procedures.
   - —To make all elements of the economy aware of the corporation's sincerity and good faith, to participate actively in good citizenship activities in the communities in which it operates, and to encourage employees to participate in such activities.
   - —To develop and maintain an active program of research aimed at:
     - —improvement of diversity and quality of products
     - —economies of operation
   - —To improve the corporation's position in all of the above objectives in relation to:
     - —its competitors
     - —its own past accomplishments
3. **A household and industrial products manufacturer to have—**
   - —Profits—continuous adequate dividends to the stockholders, reserve for the development of the business,

and participation by all employees in the profits of the business which result from their industry and and teamwork.

—Control—continuous financial control in the hands of the board of directors and general management.

—Management—a balanced general management that plans, organizes, coordinates, and controls the business through good departmental administration and unifies the management through a management committee.

—Personnel—men and women who average high in intelligence, industry, personality, and the ability to work harmoniously together.

—Products—a widening family of regular and specialty items, which will provide the consumer with products which contribute toward better living or working conditions, and which foster cleanliness and health, and preserve and beautify material possessions.

—Markets—healthy, economically sound expansion through increasing outlets and developing consumer uses throughout the world community.

—Plants—modern facilities and equipment well located.

—Prices—adequate prices to continue giving first grade products using the best means of distribution and communication to consumers and industrial users.

—Policies—to have the soundest and most progressive of business policies based on the best available information and research which the world affords.

—Pleasure—the business is to be operated in a manner to provide for employees and management working conditions that make work a pleasure.

Chapter 6

TOOLS AND TECHNIQUES OF MANAGEMENT

Science in Management

Science is a very popular word today. Adapting science to management:

—Involves mathematics, behavioral sciences, and economics.

—Provides for the development of systematized knowledge about a subject or phenomenon.

—Should be objective and free from prejudice.

Yet management can never be completely *precise*:

—There are not enough controllable experiments.

—Human element is always present.

—Guesses or intuition may work—with varying degrees of success.

Art of Management

Art brings about desired results through the application of skill.

Science may teach one *"to know"*; but *art* teaches one *"to do."*

Steps in Scientific Method as Applied by Management

1. Identify the proposition, which may be:
   (a) A problem in operations or organization.
   (b) An opportunity to increase profit.
2. Acquire preliminary observations about the proposition:
   (a) What might the answer be?
   (b) Think beyond what is presently known.
   (c) Data may be wrong. May end up with answer to different problem.
3. Investigate proposition using current knowledge:
   (a) Analysis
      (1) Break down entity into components.
      (2) Consider relative importance of each component.
   (b) Synthesis—build or combine components into propositions.
   (c) Run sufficient tests to develop consistency.
4. Classify any data which is gathered as to:
   (a) Time
   (b) Cost
   (c) Supplier's name
   (d) Trade name
   (e) Color of wrapping or package, etc.
5. State tentative answer to proposition.
   (a) Inductive reasoning
   (b) Deductive reasoning
6. Adjust and re-state answer to proposition:
   (a) Test tentative answer and note results.
   (b) Make needed changes.

What Are the Needs of the Scientific Method?

In the foregoing steps, it becomes clear that the scientific method is a means of discovering facts. This demands:

1. Inquiring minds and imagination
2. Propensity for progress
3. A process and causal relationships

The scientific method is used often, but it is probably *not* applied in nearly enough cases. Many managers still depend on:

1. Traditional approach
   (a) Rest on past
   (b) Resist any change
2. "Follow-the-leader"
   (a) May only let leader get farther ahead
   (b) May give mediocre or even poor results

Decision-Making Techniques

Two Broad Groups of Techniques

1. **Non-quantitative**
   (a) Intuition

(b) Facts
(c) Experience
(d) Considered opinions

These are not new. You have heard of them all your life. Why are they used? They are 1) the *natural way,* 2) *highly personal,* 3) *best known.*

2. Quantitative or Mathematical Techniques

(a) Operations research
(b) Linear programming
(c) Simulation
(d) Gaming theory
(e) Probability

These are more scientific and are usually quite precise. But end results may be in rather broad terms. However, they can never be more precise than the accuracy of the inputs or assumptions.

Non-Quantitative

1. Intuition

(a) Subjective
(b) Influenced by suggestions, preference, psychological make-up
(c) Influenced by past, education, training, and background
(d) "It's just the way I feel about it!"
(e) If one person exercises intuition frequently, some degree of consistency evolves.
(f) Intuition is an indispensible asset for a manager.
(g) Advantages
  (1) Decision made in short time
  (2) Decisive action on problem is supplied
  (3) Decision making ability is utilized
(h) Disadvantages
  (1) Decision may be very poor.
  (2) Path to decision is a hard responsibility to substantiate.
  (3) Other bases for decisions are minimized or neglected.

2. Facts

(a) Assumes premises are correct or proper
(b) May take too much time to obtain or be too costly
(c) Complete factual data is seldom achieved.
(d) Alone, facts are seldom adequate to reach a decision.
  (1) Facts must be anchored to imagination and sound judgment.
  (2) Yet facts should give the manager courage to go ahead—make decisions.
(e) Facts never eliminate the unknown.
(f) But facts do assure consistency.

3. Experience

(a) Draws assistance from past events.
(b) Value of experience lies in ability to discriminate and to generalize past situations.
(c) Similarity and dissimilarity can be recognized and evaluated.
(d) Caution—don't be blindly bound by experience.
  (1) May be based on out-of-date experience
  (2) May be too narrow
  (3) May maintain "status quo"
  (4) May impede progress

4. Considered Opinions

(a) Use logic
  (1) Careful analysis of situation
  (2) Discuss belief, induction and deduction with colleagues
(b) Must be fortified by pertinent data (records)
(c) This process can be substantiated and demonstrated so others can evaluate procedure and possibly improve on it.

Quantitative

In today's world, an able manager not only knows the count, but he also knows what is being counted. Thus, quantitative methods demand records and accounts. By using quantitative methods, risk is not by-passed or avoided, but the manager is in a better position to know which risk to take.

Quantitative methods are usually directed toward optimization for an entire organization. Quite often it is not possible to optimize an entire organization, so sub-optimization has evolved.

1. Raw materials being received ⟶ input
2. Materials processed ⟶ process
3. Finished products ⟶ output

All quantitative methods depend on models.

A model is an abstract presentation showing all the factors believed to be pertinent and demonstrating the relative influence of each factor on the entire situation represented and the impact of change in any one, or group, of the factors on the rest of the factors *or the entity.*

A model may be one or many mathematical equations. **Calculus** becomes a fundamental tool. A derivative determines rate of change. So it actually follows that a derivative of a dependent variable, with respect to an independent variable calculates the change. When the rate of change is *zero,* a maximum or minimum has been reached.

Example:

$$y = 20x - x^2$$
where y = gross profits
x = number of products
$$\frac{dy}{dx} = 20 - 2x$$
when $0 = 20 - 2x$
then $2x = 20$
and $x = 10$

So, when 10 products are manufactured or handled or sold, a maximum has been reached.

Look at it another way. When x is equal to a given value, y assumes a definite value since it is dependent on x.

x	0	1	2	3	4	5	6	7	8	9	10	11
y	0	19	36	51	64	75	84	91	96	99	100	99

Requirements for All Models

1. Construction of the model is vital.
   - (a) What are constraints (restrictions)?
   - (b) What factors are to be used?
   - (c) How are factors related?
2. Model must be processed and solved correctly.
3. Results must be interpreted in relation to problem.

Quantitative Methods

1. **Operations Research**
   - (a) Usually used when:
     - (1) Problem is complex.
     - (2) Mathematics can be used to show relationships.
     - (3) Measurable data exist for basic variables (records).
2. **Linear Programming**
   - (a) Common applications
     - (1) Lowest cost production
     - (2) Where to ship, produce, sell
     - (3) What to produce and what process to use
   - (b) Bounded by definite constraints (records).
   - (c) Systematic evaluation of plans
   - (d) Discover means of possible improvement
   - (e) Indicate precise changes to determine optimum
3. **Simulation**
   - (a) Systematic trial and error approach to complex problems.
   - (b) Usually involves a probability distribution (records).
   - (c) Simulated process is run a large number of times.
   - (d) See empirically what happens over time.
4. **Gaming**
   - (a) A type of simulation.
   - (b) Ploy and counter-ploy.
5. **Probability**
   - (a) Odds on the outcome of decision.
   - (b) Enters into all decisions. Seldom is a manager certain of outcome.

—Remember, decisions must be implemented!—

Records

Records have been mentioned several times. It becomes apparent that records are vital to the business of management. Yet, it might be proper to ask "Why should records be kept?"

1. Where business has been—"history"?
2. Where business is at one time—"photograph"?
3. Provide means of measurement:
   - (a) What are competitors doing?
   - (b) How do we compare?
4. No guarantee of good management:
   - (a) But definite guide for manager.
   - (b) Provide more consistency.

Is your record system adequate? Do your records provide the information you need? What records should be kept?

1. **Financial Records**
   - (a) General Accounting
     - (1) Income or receipts
     - (2) Expenses
     - (3) Net worth
     - (4) Accounts receivable—trends
     - (5) Accounts payable—discounts
     - (6) Profit position—trend
   - (b) Cost Accounting
     - (1) Overhead costs
     - (2) Cost of manufacturing a process
     - (3) Profit position—trend by product or service
   - (c) Budget System
     - (1) Cash flow analysis
     - (2) Indebtedness position
     - (3) Timetable on capital expenditures
2. **Logistics**
   - (a) Inventory control
     - (1) Raw material
     - (2) Finished goods
     - (3) Goods for resale
   - (b) Procurement
   - (c) Production—time charts, idle time, breakdown, etc.
   - (d) Distribution or sales—trends
3. **Personnel**
   - (a) Job description
   - (b) Evaluation
   - (c) Promotion, etc.
4. **Research and Development**

What can be financially done with records? How can they be used?

1. **Develop certain ratios**
   - (a) *Current assets*
     current liabilities
   - (b) May show expansion is too rapid and debt is rising too quickly
   - (c) Or assets are too high and expansion should be considered
   - (d) *Current Liabilities*
     Net worth
     $\frac{2}{1}$ may mean danger
     $\frac{1}{2}$ may be all right
   - (e) *Net sales*
     Working capital
     - (1) Wide as possible
     - (2) Varies from one business to next
     - (3) Each business should have record or history of its own operations.
     - (4) Turnover of working capital indicates how hard your money is working.

Remember, all decisions and plans must be implemented!

Chapter 7

PLANNING PREMISES AND CONSTRAINTS

Planning premises and constraints are commonly used interchangeably as both bring about boundaries within which planning takes place.

Planning is related to the future, and the future is an unknown quantity filled with uncertainties. Future circumstances which the planner can be absolutely sure will or will not develop are few. The planner, therefore, seeks to achieve his goals by adhering to certain desirable limits or constraints. In planning work, a manager employs *premises*. Before the manager can plan, he must assume that certain entities will react in specific ways, that a number of forces, to known degrees, will be present, or that certain conditions will not be present during the future period under consideration.

Other influences involved in a manger's planning efforts include:

1. The basic resources at his disposal and his evaluation of them.
2. His attitudes toward his associates and society in general.
3. His managerial philosophy.
4. His ethical standards and beliefs.

He, therefore, places boundaries, or constraints, within which his planning efforts are to be performed. These constraints confine the planning to areas the planner considers feasible and appropriate. The framework within which the planning is done is, therefore, established by the use of the planning premises and constraints. The constraints, whether consciously or unconsciously, used by the manager create the boundaries within which the planning work is performed.

Premises are assumptions which provide the background against which estimated events affecting the planning will occur. The dictionary defines premises as setting forth beforehand as by way of introduction an explanation. Premises are necessary for planning. The very nature of planning demands that assumptions be made concerning future happenings.

The selection of planning premises and their use in planning depend upon the planner's perception, skill, and experience. The planner is faced with two difficulties:

1. Selecting the proper premise to use.
2. Evaluating the essential assistance attained by the use of this premise.

Within any one enterprise, agreement regarding the planning premises is vital in order to achieve the proper coordination and integration among the various plans.

There are many types of planning premises, some of major importance and others of minor importance. Some planning premises are tangible, and others are intangible; some are primarily external to the enterprise, while others involve primarily internal conditions of the enterprise.

Planning Premises Are the Basis of All Predictions

Predictions here may be defined as the present estimate of future events which are uncontrollable.

The main purpose of establishing premises with respect to industry demand is to define the type of market demand the individual enterprise faces for its services or products.

A major goal of planners, for many years, has been attempting to discover fragments of certainty in the uncertainty of consumer behavior. The manager of an individual enterprise, with reasonably accurate information regarding the future industry demand and consumer behavior, can estimate his firm's future sales.

Constraints

Webster says constraint is the act of being confined. Constraints influence every manager's planning. The terms "premises' and "constraints" are commonly used interchangeably as both bring about limits within which the planning takes place.

Constraints also condition the planner's thinking and tend to supply a foundation on which to build plans.

The influence of governmental actions is inescapable for most enterprises. In making plans, it is essential to keep in mind the effects of legislation such as the governmental services, protective measures, and regulations which are extensive and affect many different activities of an enterprise.

Both its internal nature and external environment place certain limitations on the agribusiness firm. An important internal constraint is determined by the agribusiness's production function. Each such function embodies the technical and technological conditions of production that are available to it. An important external constraint is the nature of the market in which the agribusiness operates.

Ethics and Planning

The meaning of what is legally correct and the meaning of ethics is very often confused. The fact that there is no existing law forbidding a specific action does not necessarily imply that the action is ethical. Ethics relate to morals and are not confined to legal status.

Violation of civil law may tend to encourage violation of moral law. Consider the case of the merchant who plans and carries out price cutting to customers. Is this an unethical action? At what point may price cutting become unethical?

Definition of Ethics

Ethics deal with personal conduct and moral duty. They concern human relations with respect to right and wrong. To be ethical, means standing back of your word once you have given it, never misrepresenting services or products, and never violating a trust or confidence.

Ethically, in business, a buyer is entitled to all price and utility information which might affect his buying decision. The problem of proving superiority of a product or service over that of your competitor's presents real difficulty.

Proper ethics in management require a manager to be honest not only with himself, but with society and to deal honorably with others just as he would like to be dealt with.

Questions:

What are the planning constraints for your firm?

Chapter 8

PRINCIPLES OF POLICY MAKING

No one can work very long as a manager and not be aware of the importance of policies. They affect the manager's decisions at every turn. They enable him to solve problems which he would otherwise have to refer to higher authority. They enable his subordinates to make decisions which they would otherwise have to refer to him. They assure consistency in decisions. They make it possible for an organization to work together toward the goals and objectives established (and, hopefully, communicated to the entire organization) by top management.

Managers at all levels within an agribusiness are often delegated authority to formulate policies for their own departments or sections, particularly as the policies concern the work. If communications are in good working order, the manager influences many of the policies established by the board of directors.

Policies are intended to guide and direct managers and to make it possible for everyone in the organization to work together, according to the firm's established viewpoints, toward its objectives and goals. Policies are part of the function of planning. An understanding of how they originate, what their purpose is, and how to administer and control them, is essential to an understanding of modern management.

What Policies Are

Policies are statements in general terms, which serve as guides to consistent decisions in recurring situations.

Policies give *direction* to plans. Policies are a road map which management can follow to reach goals and attain objectives. Policies are not detailed and specific; they are broad and general, leaving room for interpretation and the exercise of judgment and initiative.

For example, the board or owner establishes a policy at the recommendation of the general manager (who has probably consulted his personnel director, if he has one) that employees with a year or more of service are entitled to two weeks vacation with pay.

In administering this policy, the general manager—or, if he delegates the authority, the person responsible for the personnel function—will have to decide what it means in specific instances. Mary Burton, a clerk hired during the past year, was granted a two-week leave of absence without pay to remain at home during the time her mother was seriously ill. In calculating Mary's eligibility for vacation, does this time count toward the required "year's employment?"

Policies are not all of equal importance. Some policies are of such significance that they determine the very character of the business. Others are more limited in scope and could be changed or even eliminated without noticeable reverberations.

For example, a pricing policy such as "6% less for cash" has a much more significant effect on the character of the enterprise than would a policy which merely stated that the store will "make every effort to meet the prices charged by the competitors for similar merchandise and service."

A policy of selling exclusively by mail—or through cooperative retail stores—or through company appointed dealers will have a significant effect on the chartcter of an organization. These are major policies and of great concern to the controlling group—usually the board of directors.

On the other hand, a policy permitting one, 15-minute coffee break a day and specifying that it should occur between 10 and 11 in the morning is of little significance as far as the basic character of the organization goes. Although the employees might not agree, it could be modified or eliminated without permanently affecting the operation or character of the enterprise.

Responsibility for Determining Policy

Ultimately, the board of directors is responsible for determining policy, and no other group or individual may do so unless the authority has been delegated either specifically or by implication by the board or owner.

In an organization which is functioning well, the board relies on the advice and counsel of the general manager as it weighs and finally declares policies. The general manager not only advises and assists the board in its policy-making activity, but also takes the initiative by recommending the adoption of certain policies which he feels are desirable. In this sense, the manager formulates policy, and the board determines policy.

The board or owner may delegate to the general manager the responsibility for establishing policies in certain areas, and he, in turn, may delegate some of this authority to his subordinates. The fact that policies established by the manager or his subordinates must be consistent with those established by the board or owner is proof that the board or owner holds the ultimate policy-making responsibility for the organization.

What Policies Deal With

Policies provide the guideposts which management needs to enable it to work consistently and efficiently toward its objectives. Most businesses will find it necessary to establish policies covering:

Product—type, changes in, quality
Selling methods
Advertising
Public relations
Pricing
Capital procurement
Depreciation
Employees relations—salary scales, selection and training, benefits, union relations, promotion, etc.

It can be seen that not every phase of a business will be covered by policies. Accounting decisions, for example, are seldom formulated into policies. A decision to use the "Lifo" method of inventory valuation or the straight-line method of depreciation is a technical one and not made frequently enough to justify establishing a policy to cover it.

Similarly, buying a piece of land, building a new warehouse, or acquiring another business, important as such moves are, would not in all likelihood, be covered by a policy.

The function of policies is to permit *recurring* decisions to be made consistently at the lowest possible level, thus conserving the time and energy of management at all levels, but particularly at the top, for the job of making decisions for which no guides in the shape of policies can be provided.

Identifying Policies

Every business, including very small ones, has policies, even though they may not be recognized as such. It is very desirable that the need for policies be studied and that policies themselves be clearly formulated, issued, and explained to all those whom they affect. Policies must be coordinated with previous policies and controlled so that they are recalled or amended when necessary.

Where does an organization which has never formalized its policies begin when it decides to collect, review, and issue them systematically?

Certain policies are mandatory. These are the policies which enlarge on and interpret government regulations and the provisions of the charter and bylaws.

Policy statements can also frequently be found in pamphlets issued to inform the public or an organization's own employees, in literature describing the organization's services (including its advertisement); in benefit plan brochures, and in other printed material issued by the organization.

Letters and memos on pricing, sales, employee relations, or any other matter legitimately the subject of a policy are a fruitful source of policy statements. Precedent—the fact that "we've always done it this way"—constitutes a typical and sometimes a good basis for policy, provided mere tradition is not allowed to blind an organization to better ways.

Minutes of board meetings usually contain the broad outlines of policies. Even the official statements of competitors cannot be overlooked by an organization which is trying to bring together all the source material from which it can compile; that is, formalize the policies under which it is operating.

Policy and Procedure

It might be well at this point to refer to the difference between a policy and a procedure. In general, *a policy tells us what* and *a procedure tells us how*. In practice, it is not always easy either to maintain or perceive the distinction. But usually it is true that the procedure tells how to carry out what the policy says should be done.

The policy states that employees are entitled to two weeks of vacation with pay at the end of a year's service. The procedure specifies that the Personnel Office shall issue vacation schedule forms to department heads on May 1; that each employee's vacation time, chosen in accordance with seniority, and with due regard for the department's work schedule, shall be entered; that the form shall be returned to the Personnel Office by May 15, be reviewed by the Personnel Office, and forwarded to the Payroll Department; and that the Payroll Department will issue vacation pay checks to employees in advance of vacation in accordance with the schedule.

Controlling Policies

Even the company that is progressive enough to have formulated its policies clearly and to have disseminated them so that they can be understood and applied, has not finished the job unless it has provided the means for controlling its policies.

It is important to know whether policies are actually accomplishing what they are designed to do, whether they are being followed by all those to whom they apply.

One of the best reasons for writing policies (and writing them clearly) is that a written policy constitutes an excellent reference when it comes to checking on meaning, consistency of application, necessity for exceptions, and so on.

Management has several ways of controlling policies. The most important is by evaluating the *results* a policy is intended to accomplish.

If a policy has been formulated covering public relations, and the board or owner still feels that the organization's public relations are not as good as they should be, it is time to check on the policy.

Does it clearly state the organization's public relations policy? Is it realistic or merely a pious cant? Do all those who should observe and apply it understand it? Have supporting procedures been prepared and issued? Are supplementary policies needed?

The proof of a policy is that it *works*. If it is not working, an investigation is in order.

Frequent *flouting* of a policy is another indication that the policy is not working in the best interests of the organization.

For example, many companies have proclaimed a policy of promoting from within. If the board finds that the number of newly-hired employees at middle and top levels indicates disregard of this policy, it should determine whether this is because management is showing favoritism, because the lack of a development program causes a shortage of qualified employees, or possibly because poor recruiting methods have resulted in a really weak organization. A policy that is being *flouted* is worse than no policy at all.

Frequently requests for *exceptions* also indicate that a policy needs to be overhauled. Even though some interpretation is always called for in administering policy, frequent exceptions to a policy usually mean that a related policy plugging the loopholes is called for or that the policy is *obsolete* and should be withdrawn or amended.

Conclusion

The significance of policies as an instrument of management, then, is that they permit decisions to be made in advance, that they assure consistency, and that they free managers from the necessity of spending large amounts of time on problems which come up over and over.

Policies must be well thought out, clearly expressed, and made available to all those whom they affect. They must not be regarded as sacred once they are issued but must come under frequent review and be subject to revision as necessary.

The authoritarian manager who uses the word "policy" as a smoke screen to hide his unwillingness to think, to make a decision, to grant an exception, or to consider a better method, is old-fashioned and obsolete. The purpose of policies is to make possible a good job of managing—not to improve a straight-jacket or make it necessary to manage by vote.

Policies

Policies are generalized statements to be used as guides to making Decisions in Recurring Situations:

—Without consulting a superior

—With assurance that decisions will be consistent and move toward objectives.

CHART A

POLICY REQUIREMENTS

FIVE STEPS OF ACTION WITH RESPECT TO POLICIES		
1ST STEP	THINK 'EM UP	FORMULATE
2ND STEP	DECIDE 'EM	DETERMINE
3RD STEP	USE 'EM	EXECUTE
4TH STEP	CHECK CONFORMITY	AUDIT
5TH STEP	CHECK EFFECTIVENESS	APPRAISE

IF REVISION IS NECESSARY—START OVER AGAIN

Examples of Policy Statements

BESTA AUTOMOBILE CLUB

POLICY BULLETIN NO. 14

January 29, Exhibit A

Subject: Contributions

Policy:

The Besta Automobile Club may make contributions to recognized, tax exempt, charitable, and educational organizations operating and soliciting funds within Besta territory. The total annual amount of such contributions shall not exceed the amount set forth in the operating budget and approved by the board of directors.

Responsibility: Manager

Procedure:

1. The general manager will include in the operating budget for the year an item, not to exceed 1% of the total operating budget, for contributions.
2. The total amount requested in the operating budget will be arrived at after consideration of previous experience, donation practices of comparable businesses, financial condition of the organization, and anticipated requests for contribution.
3. The item for contributions will be broken down to show names and addresses of organizations from which a request for a donation is anticipated, and proposed amount of contribution.
4. All requests for contributions will be forwarded to the general manager who will determine on the basis of this policy whether or not a contribution will be made.
5. If the general manager decides to make a contribution, a request for a check will be issued and the presentation of the check will be made by the manager by letter or in person whichever is appropriate.
6. If it is decided not to make a contribution, an appropriate letter explaining reasons for refusal will be sent to the organization from the assistant manager with a copy to the chairman of the board.
7. The general manager will submit a report of contributions to the board monthly, noting particularly any variances from policy and recommending any need for revisions in policy.
8. The chairman of the board will include in his annual report to members a comment about the organization's policy and practice with respect to contributions during the previous year.

POLICY BULLETIN NO. 15

January 30, Exhibit B

Subject: Sick Leave

Policy:

All employees of Besta Automobile Club may have one and one half days of sick leave at full pay each month.

Sick leave can be accumulated to a total of thirty (30) days. Sundays will not be counted when computing sick leave.

Procedure:

To qualify for sick leave benefits, the employee must either be confined by a doctor, or his absence must be approved by the general manager. In the absence of the manager the assistant manager can make such approval.

The general manager may suggest or recommend that sick leave deductions be waived in the event an employee desires to make up lost time. This action is only possible when the lost time of the employee has not caused the club financial loss.

The manager or acting manager will have final decision concerning waiver of sick leave time.

POLICY BULLETIN NO. 16

January 31, Exhibit C

Subject: Sales

Policy:

The Besta Automobile Club will guarantee the performance of products and services handled by the club, providing the products and service are used by members in accordance with the instructions provided by the manufacturer and the employee dispensing the product or service.

Procedure:

All employees should familiarize themselves with the various guarantees. The employee dispensing the products can make adjustments based on the guarantee in cases involving not more than $15. In cases involving more than this sum, the manager should be consulted, familiarized with the facts, and asked to approve the adjustment.

All adjustments based on guarantees must be reported to the manager. This report must be in writing on the forms provided.

Chapter 9

BUSINESS AND ECONOMIC FORECASTING

Each and every one is concerned about the future. Yet the future is a very uncertain area. There are many variables. Any one of them may change or shift, and in so doing, may completely alter conditions.

Every decision, however, rests on one or more forecasts. So every manager must be vitally concerned with forecasts because part of his activity is based on making or arriving at sound decisions.

If the future were quite certain, there would be no need for forecasts. Decisions would be easy to make. But since the future holds varying degrees of uncertainty, business forecasts become a necessity.

How does a business make a forecast? Are forecasts based primarily on intuition or hunches? Usually not; over the years, business has developed several ways by which to make forecasts.

Factor listing has been and still is used quite extensively. The manager or someone on his staff lists all of the favorable conditions which pertain to a certain situation. On the other side or on the bottom of the page, he lists all of the unfavorable conditions applying to the same situation. These positive and negative factors are carefully weighed, and the manager draws a conclusion or makes a decision. There is no doubt that many decisions are made by using this method, and business depends on this method. One word of caution should be observed. The conclusion may be quite subjective, and errors are not uncommon.

Time series analyses have been and continue to be an important method for business forecasts. Data on any number of conditions can be collected from public or individual business records. Such data could include sales records, net margins, inventories, crop acres, crop yields, number of tractors, tons of fertilizer, and many, many more. This information can then be plotted over time. Time periods can be in various lengths, such as days, weeks, months, years, or several years.

A time series based on accurate data can be quite objective. However, it is important, as the forecast is being made, not to overlook causal factors. What conditions have been or are influencing the resulting chart?

Time series may be very useful in indicating trends. They can show overall growth or decline. But a word of caution is essential. A time series chart fails completely at real turning points (e.g. in 1929 or 1937).

Time series are an excellent means by which seasonal variations can be identified. Does a certain condition exist each year at or near a given time? Or does it have a cyclical character? Do depressed sales or marketings occur every four or six years?

Time series can become an important reminder of the influence of irregular forces. Charts can indicate the effects of strikes or changes in government programs.

Barometric techniques are concerned with indices and data that tend to indicate what is happening within the economy. Many of these barometric measures are published and discussed in *The Survey of Current Business*, published by the Department of Commerce. A subscription to this monthly magazine and its weekly supplement can be secured for $22.00 per year from the Superintendent of Documents, Washington, D. C. 20402.

These indices can be broken into three broad categories. The first type can be classed as *coincident factors*. In short, they tend to move in phase with the economy. They would include the industrial production index and the gross national product.

Another group could be referred to as *leading indicators*. They tend to reflect future changes in business and include new orders for machinery and equipment, or the average workweek.

The third group of indicators is referred to as *lagging* because they frequently lag behind economic activity. They include such factors as consumers' installment debt and labor costs per dollar of real gross national product.

With all of these indicators, a certain degree of caution must be observed. None of them are infallible or always perfectly consistent. There is also danger of interpreting a rather insignificant wiggle which really has little or no significance as being an important turning point in the economy. Also, even though a real change point has been indicated and a forecast is proposed, there is no indication of how great its magnitude will be.

Survey methods are another important means of making forecasts. By this method, a group of businessmen or consumers are polled for their intentions and their answers are tabulated, summarized, and analyzed. Two rather notable surveys are McGraw-Hill's investment survey, which indicates the intentions of business on new investment, and consumer plans as reported by the Survey Research Center at the University of Michigan. There is no reason why an individual business cannot make surveys of its customers or patrons in order to determine what they want or would like in the way of goods and services. Once again, surveys must be interpreted and used with caution. There have been some notable examples of dismal failures in the use of survey results.

Econometrics represent a rather new means of forecasting. Econometrics are based on one or more equations that seem to describe a set of relationships according to economic theory and statistical analysis. The equations in econometric models often depend heavily on many of the barometric indicators. Yet a skillfully built model, which has been solved carefully, can become a highly sophisticated means of making economic forecasts. It must be remembered, nevertheless, that even the best econometric model must be modified in order to keep it up to date.

By one or all of these forecasting methods, a well-managed, progressive business will make projections into the uncertain future. On these projections, the manager will make decisions. If the forecasts have been accurate, the decisions will move the business forward profitably.

Planning premises may be divided into three basic groups. There are planning premises that are uncontrollable in the sense that the individual cannot do anything about them. Examples would be population growth, future price levels, tax rates, and business cycles. Some planning premises are regarded as semi-controllable, in the sense that the business cannot control them, but can influence their happening. Examples would be labor turnover, labor efficiency, and company price policy. Planning premises also may be characterized as controllable by the business. Examples of this type include expansion and the development of research programs.

Chapter 10

LONG-RANGE PLANNING

Long-range planning is a cause and a result of the many changing factors that are influencing agribusiness today. Long-range planning is closely related to the concept of a business being long lived. Long-range planning is becoming more important because of the increased rate of technological innovation.

What is the difference between long-range and short-range planning? Short-range is the stage before the decision has become fully effective. This stage concerns only costs—no results yet. The long-range plan is the period of expected performance needed to make the plan a successful one. Every individual business, by the nature of its business and the nature of the decisions, determines the time span of planning.

Before long-range planning can be described, it is essential to have a definition of exactly what it is. In defining long-range planning, an explanation of three things it is *not* will clarify the situation.

1. Long-range planning is *not* forecasting.
2. Long-range planning does *not* deal with future decisions.
3. Long-range planning does *not* attempt to eliminate risks.

It is not forecasting because it does not try to mastermind the future. People cannot predict or control the future. This is why long-range planning is necessary—forecasting exactly what will happen in the future cannot be accomplished.

Long-range planning does not deal with future decisions. It deals only with the future of present decisions. Decisions occur only in the present. The long-range planner is faced with the decision, "What do we have to do today to be ready for an uncertain tomorrow?"

Planning Does Not Eliminate Risk

The most common misconception of long-range planning is that it attempts to eliminate risks. The main thing long-range planning does is to attempt to make sure that the right risks are taken. In many cases, the end result of successful long-range planning may be the assumption of greater risks to improve the business.

Continuous Progress

Long-range planning is a continuous process of making present business decisions systematically and with the best possible knowledge of how they will occur in the future. It involves organizing all the efforts needed to carry out these decisions, as well as measuring the results of these decisions against the expectations, through organized planned feedback.

Long-Range Planning Is Not New

Long-range planning is, however, becoming more and more important in the business world. This is the result of the speed of innovations, magnitude of risks inovlved, time span between important decisions, the increased complexity of business and society, and the amount of information available to the managers.

Steps Toward Long-Range Planning

Long-range planning is more than organization and analysis of information. It involves the decision-making process as well. Exactly what are the requirements of long-range planning? For long-range planning to be effective, there are certain steps that should be followed. These steps have a logical order. The first step in long-range planning is the establishment of objectives. Planning must be for or toward some goal to be meaningful. The objectives give the key as to what basically to do, where to place the emphasis, and what to accomplish by using the policies, procedures, budgets, and programs of the company.

The **second step** in long-range planning is the establishment and agreement of the planning premises. These are the forecast data and the basic policies exepected to be applicable for the future. Premises basically are planning assumptions. Planning premises involve forecasting the future. What kind of markets will there be? What quantity of sales? What prices? What products? What costs? What wage rates? What tax rates and policies? What new plant? What policies with respect to dividends? How will expansion be financed?

The **third step** in long-range planning is to search for and examine alternative courses of action. Careful examination and elimination of the alternatives is very important. Many factors must be considered to decide on exactly what best alternative to use.

The **fourth step** of long-range planning is the evaluation of the alternatives. This involves the weighing of the various factors. This evaluation must consider the company's objectives.

The **fifth step** in long-range planning is selecting the course or courses of action to be undertaken. At this point, the plan is adopted.

The **sixth step** in long-range planning is the formation of the necessary derivative plans. This is the breaking down into smaller plans, the basic plan you have selected. Each segment of the business performs plans necessary for making the overall plan effective.

The next two steps are the impact stage and the result stage. The impact stage is the action of the decision and the reaction to that decision. The result stage is measuring the effect of the decision made.

Pretesting

Continuous business planning is essential for the success of a business. Management is, therefore, interested in what tests may be used to tell them in advance whether or not a program is sound. Pretesting of plans reveals flaws and also encourages better approaches to future planning.

Pretesting helps reduce the chance of a large loss of money. This phase tries to evaluate the new plan and the overall effect it will have. Pretesting shows the advantages and/or problems that may result from a new plan. This eliminates the costly full-scale involvement of the plan, and encourages development of better plans.

Where are we going? What are we trying to do in our work? What is the purpose of each part? These questions are guides to the meaning of long-range planning objectives. Objectives help to spot the goals for which the business is striving.

Why are these objectives and goals set up? One of the basic reasons is that the business must accomplish something worthwhile or it will not continue to exist. Unless the people want what is produced, there is no real need for the company.

A second reason is that people working in this business must have something of value to them. This value may be in money, prestige, or significance or opportunity. If objectives are removed, uncertainty is the result for both the business and the people in it.

It is important to note more precisely what place objectives have in the work of management and in long-range planning. In showing the place for long-range objectives, management must first understand the role of objectives. The nature and level of objectives determine the kind of function and activities that will and must be performed. A high quality means the duties of people are carefully and efficiently performed. The opposite would also hold true. Therefore, when objectives are established, it is essential to do a sufficient job, because in a sense, you are determining the quality of the functions that will be performed. Objectives play a very important role in determining the policies, the kind and quality of personnel that will be needed, organizational structure, and how the business can be controlled.

After understanding the role of objectives, you must make sure all objectives are understood. It is very essential to communicate the objectives to the employees. Following this same pattern, it is important to show the employees how their personal objectives are advanced when the company's objectives are attained through long-range planning.

Four Phases of Planning Long-Range Objectives

There are what can be considered four phases in planning long-range objectives. The **first phase** is that the person must know exactly his place and role in the business. Objectives at any level cannot be efficiently made until the objectives of the higher level are made.

The **second phase** of planning long-range objectives is to know the conditions under which you operate and the resources that are available. This allows you to establish objectives that can be attained reasonably and effectively.

The **third phase** of planning is to figure out for specific units, given individuals, and definite periods of time, the results that are expected. This is the writing-out stage of setting long-range objectives.

The **final phase** in planning objectives is to communicate the objectives to all interested parties and to make certain that they are thoroughly understood.

Goals

In establishing goals, it is usually desirable to have conferences to bring out the real meaning of the goals. Following these meetings, it may be helpful to have meetings to see if the goals are understood by everyone.

Basic Factors

In every long-range plan, there are certain basic factors that should be followed. These are mainly the attitudes of management, the size and location of the enterprise, and the nature of the enterprise.

The attitudes of management are a controlling factor in long-range planning. The best attitude is from the person who knows the need of preparation, yet he recognizes the possibility of the unexpected occurring. He uses planning as a tool to accomplish his objectives.

The size and location of an organization are also factors in planning. In a small enterprise, planning sometimes is small, but as the business grows, planning becomes indispensable. Without long-range planning, it would be very difficult for a business to grow.

The nature of the enterprise is also a factor in long-range planning. Old, settled industries might need less planning. The problems recur; therefore, plans once made may be used again.

Agribusinesses that wish to fill the marketing gaps of consumers and farmers may have more difficulties than the old, settled companies.

After a long-range plan has been made, the top management should answer the following questions:

1. Has the planning determined the key influences in the growth of the industry and evaluated the influence of each?
2. Have the strengths and weaknesses of the agribusiness been accurately evaluated?
3. Have the capabilities of different business functions to support the plan been projected far enough ahead?
4. Is there a practical timetable?
5. Have all alternatives been considered?
6. What provisions have been made for future reverses?

Without planning, an agribusiness will become random in nature and decisions may become meaningless. Because agribusinesses operate in uncertainty and change and require the attainment of goals at the least possible cost, planning is a highly important function.

Successful long-range planning, and carrying out these plans, rests on the business judgment, initiative, enthusiasm, and drive of the board of directors and hired management. A good product, process, or service must be offered. But the drive of an organization starts from the top, and there must be drive if a business is to plan and grow successfully. Long-range planning requires or achieves the following:

1. A business-wide alert for innovations.
2. A continuing flow of innovation for business growth and profits.
3. A set of skills and conditions for successful management within a sound corporate framework.
4. The organization of components for pursuing the established objectives.
5. Adaptation of the business self-image to the role of foreseeable and evolving businesses.
6. A balanced flow of resources.

Long-range planning is risk-taking decision-making. As such, it is the responsibility of the policymaker. Long-range planning does not substitute fact for judgment and does not substitute science for the manager. It does not even lessen the importance and role of the managerial ability, courage, experience, or intuition. The effective use of long-range planning makes a business more stable and more efficient in its operation.

Chapter 11

PLANNING FOR PROFIT

The practice of profit planning is as old as the history of business itself. Whenever an agribusiness manager translates his operative plans into financial terms and uses his estimates of the probable income expense and profit as a guide in planning and conducting the operation of business, he is, in fact, "profit planning." However, profit planning means more than just keeping a historical accounting of data and trying to analyze it.

Before we begin to understand profit planning, it would be wise to look at the definitions of some of the basic words and concepts used.

Planning is the selection and definition of the policies, procedures, and methods necessary to achieve overall organizational objectives. We are concerned here with the procedures used and not so much the methods.

A budget is a working tool, developed by management. It is based on desired results under certain operating conditions that will probably occur over a particular period of time. Budgeting is used to help in the planning and achieving a successful and profitable business.

Profit is the excess of income over expenditure in the period under review.

The terms, "planning budget," "planning for profit," and "plan of operation" are used in the same context as the word "budget."

A very important concept that must be kept in mind is that planning for profit (budgeting) covers all phases of operations for a definite period of time in the future. Planning for profit is a formal expression of the policies, plans, objectiveness, and goals established by top management (the board of directors) for the agribusiness as a whole and for each subdivision of the agribusiness.

The purpose of profit planning is:

1. To provide a carefully prepared and clear-cut plan of operation over a specific period of time, based on a thorough study of existing needs and probable future conditions.
2. To assist management in effectively accomplishing its basic functions, mainly those of planning and controlling.

Operating Budget

Profit planning may be broken down in many different ways. One is by operating budgets and programmed budgeting. Operating budgets cover those expenses for which it is practical to establish a standard of efficiency. These will be mainly material, direct labor, and manufacturing overhead.

A programmed budget covers those expenses that are subject to management's discretion. These cover mainly research and development cost, expense of merchandising, and administrative expense.

If we look further, we can find budgets broken down into fixed and variable budgets. A fixed budget is a projection of a company's revenue, cost, and expenses on the basis of management's expectation of a certain fixed volume of business for a given period. A variable budget—a modern concept—involves a study of what a business cost and expense should be and will be at different levels of operation. Also, it includes a study of the resultant effect on profit due to the changing relationship between volume and cost.

There are also various methods of profit planning, i.e., the average rate of growth, economic index method, and volume-cost-profit method, to name only a few. The volume-cost-profit method is probably the one most used today.

Advantages of Budgeting

The advantages of budgeting range from "created two-way communication channels" to "development of a feeling of contributing and belonging to the organization." Here is a list of reasons why a business should plan for profit:

1. It forces early establishment of objectives, goals, and policies.
2. It requires adequate and proper organization.
3. It involves all members of management in the establishment of goals.
4. It involves all members of the departmental management team to make plans with other departments.
5. It requires the agribusiness to have adequate and appropriate historical data.
6. Management must plan for the most economical use of labor, material, facilities, and capital.

Objections to Budgeting

One must not assume that budgeting is either foolproof or free from problems. The fact that "profit planning" is based on the expected future indicates certain problems. It is extremely difficult to predict with certainty the exact volume of business in the period ahead, because of the constant presence of such uncertain factors as competition, consumer attitudes, general economic conditions, government regulations, and many other factors which may affect sales and production.

James L. Peirce, in an article written for *Harvard Business Review,* says that the shortcomings of budgets are lack of understanding, misuse (budget padding to have breathing room), and the fact that people generally do not like budgets (budgets represent restrictions). These are the causes for objections in profit planning. He goes on to say that these may be overcome by arranging for good, commonsense accounting and complete, simple and prompt explanation of the content of the terms. Peirce states, "Your budget should be used as a tool to be placed in your manager's hands—not as a club to be held over his head."

Still another context is that budgeting does not guarantee anything because many of the important basic aspects are left out. For example, a budget makes no provisions for the following:

1. Gaining the support of top management.
2. The development of realistic objectives and goals.
3. Flexibility in budget application.
4. Maintaining effective follow-up activities.

However, if in developing and using a budget the following limitations are kept in mind, many objections can be minimized:

First, the budget plan is based on estimates. The key to success is the degree of accuracy on which basic estimates are made. These estimates must be based on available facts and good sound judgment. Also, sound reasoning and good judgment are needed in interpreting and using the results.

Second, a budget program must be continually adapted to fit changing circumstances. As pointed out earlier, there are different types and ways of budgeting. A firm must pick the correct one, the one best suited to its objectives. It must be understood that the result or success of "profit planning" will not occur overnight. Often it may be as long as two or three years before your budget is developed effectively.

Third, execution of a budget plan will not occur automatically. All people involved must work toward the effectiveness of the budget. All levels of management must be sold on the idea and participate in its application.

Manager and Board Role in Budgeting

Let us look at an agribusiness with a manager and board of directors. What are the different roles or duties found in profit planning (profits are returned to the members of an agribusiness through services, lower cost, or distributed earnings)?

Management—the main role is that of preparing the budget. Because changes take place rapidly in agriculture, management is in the best position to analyze the agribusiness' present operation. The manager deals directly with the costs, services, demands of members, demands on functions (storage, labor, transportation, etc.) that develop from day to day. He must carry out the decision of the board and plan, organize, direct, and control the short-range business activities. He may also be asked to make recommendations to the board of directors. The budget will assist him in doing these duties more effectively.

The **Board**—represents the owners of the agribusiness. Their main duties are to:

1. Determine general policies
2. Review accounts, programs, and activties
3. Control the total operation

The budget helps them to analyze the firm's present operation. It will assist in answering some of their questions. Is the agribusiness achieving its objectives? Are new policies or programs needed to achieve the objectives? Is the manager doing the job they require? Have they planned and controlled the firm in the best interest of its owners? These are just a few of the questions, and without a budget to use, they would be difficult to answer. The board should rquire its manager to prepare and submit a present and expected operating budget.

How Much Detail

How much detail is necessary? This question really can best be answered by the individual agribusiness. It is usually true that the further down the management chain, the more detail is required. Top management is concerned with significant information. Department heads are concerned with greater detail to formulate the budget.

However, the reliability of profit planning depends to a large extent on how carefully the budget estimates have been set up. This may seem overly elementary; nevertheless, the fact is that preposterous budget estimates have usually been a fundamental cause for the disrepute into which a number of budgeting systems have fallen.

The establishment of reliable budget estimates requires:

1. Proper understanding of the behavior of each of the various costs and expenses in relation to changes in level of activity.
2. The manager must have full knowledge of the operating conditions.
3. The general manager or department manager must obtain the necessary information in usable and comprehensive form.

Another factor to be considered is the role of the element of time. The length of the budget period usually conforms to the length of the reported period. Some expenses do not coincide with the time allotted reporting period; therefore, judgement must be exercised in the comparison of actual expenditures against budget allowances as to whether a long enough period has elapsed to make such comparison meaningful.

What Needs To Be Known

There is no prescribed form of "profit planning" or budgeting. Unlike a balance sheet or an independent auditor's certificate, the budget should be designed primarily for use within the agribusiness. Consequently, its form and context vary from firm to firm.

There are items that are similar to most profit-planning programs. Listed below are some:

Present Period (Actual)	**Budget Period (Estimated)**
Sales	Sales
Marketing and Distributing Cost	Marketing and Distributing Cost
Inventories	Inventories
Cost of Materials Needed To Do Business	Cost of Materials Needed To Do Business
Labor Cost	Labor Cost
Facility Cost	Facility Cost
General and Administrative Cost	General and Administrative Cost
Research and Development Cost	Research and Development Cost
Capital Expenditure	Capital Expenditure
Financial Position	Financial Position

A list of variations found or revisions made in last period's budget.

Conclusion

"Planning for Profit" should be regarded not as a master, but as a servant. It is one of the best tools for advancing the affairs of an agribusiness.